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ERITREAN TRADE WITH ITALY IN POST-INDEPENDENCE PERIOD – AN ANALYTICAL STUDY

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Abstract

The trade ties between Italy and Eritrea is important for both countries. This paper analyzes the extents and characteristics of regional trade relationship between Eritrea and Italy. Attention is given to the regions and products where there is high potential for export and import. Other socioeconomic opportunities, which may give rise to the trade link between the two countries, are also mentioned briefly. The main aim is Eritrea a former Italian colony can be a springboard for Italy to expand its commercial activities to other Italian colony in the horn of Africa. It can be an opener of the market in Italy with all Italian and non-Italian colonies in the horn of Africa.

Keywords: Bilateral trade, economic integration, colonial trade, import substitution, Agro-Industry.

JEL Codes: F1; F18; Q17

I] INTRODUCTION:

The Cabinet of Ministers in its October 2005 meeting underlined that there is a need to focus on trade and investment partnerships rather than on looking for external assistance. An imaginative economic strategy towards the neighbours could do to boost foreign trade. Asmara is now ready to use the clout of its market to alter its bilateral relations with the neighbours. Peace process stalemate, drought reduces pace of growth in the last few years.

The government of Eritrea has been taking measures to promote economic integration in the region. These include incentives and facilities to promote border trade between Eritrea and its neighbours, reduction of tariffs for goods from the rest of sub-Saharan Africa and removal of restrictions on investment. Surely, the Eritrean Chamber of Commerce, Ministry of Trade and Industry see access to the Eritrean market as a leverage that must be used to obtain mutual benefit (Rena, 2005: 7).

If Eritrea looks at the strategic significance over the long term of economic integration with her neighbours, it should be more than eager to bilaterally force the pace of creating a single market in Africa and end the economic partition of the continent. Unlike in the past, all the countries in African continent are seeking to globalize their economies. Besides, African countries are trying to have a single currency for Africa by 2020. It can be stated that all the countries are under compulsion to take full advantage of the natural imperatives for market integration with each other. There are some countries in the region, which remain reluctant to seek shared economic prosperity, there are some other countries in

Africa that are beginning to see the implications of the logic of globalization and the consequent need to become part of the African union. Libya, Pakistan, United Arab Emirates, Bahrain etc. are seeking deeper linkages with Eritrea. Djibouti, Yemen, Sudan want duty free access for their goods to the Eritrean market. Qatar, France and Italy, which have already agreed to cooperate in promoting Eritrea's economy, are seeking a modernization of this relationship and removal of many distortions that have crept into the trading regime between them and Eritrea. For instance, Eritrea and Italy signed recently a memorandum of understanding regarding bilateral aviation ties (Rena, 2005: 7).

North East African states can hope to draw large amounts of foreign investments only on the basis of having an access to the America, Europe and some other countries within Africa, which become an engine of Africa's regional growth. The economic success of the neighbouring countries is linked with that of the trade and fiscal policies of every country in the region. The question is no longer whether the region will integrate. The unanswered questions are about how effectively and quickly the country will take advantage of this altered reality in the African continent over the last decade.

By facilitating regional integration through bilateral or multilateral measures, Eritrea is trying its best to build congenial and harmonious relations with its neighbours and rest of the World. However, it also helps itself. Eritrea cannot hope to prosper amidst collapsing economies and failed states in its neighbourhood. Nor can it hope that a bilateral-oriented approach will resolve economic problems.

The Government of Eritrea has increasingly come to see the importance of putting trade and commerce at the centre of Eritrea's regional diplomacy. The government is trying to put across Eritrea's renewed commitment to push the region towards an African Economic union. But these words have little meaning unless matched by deeds in recasting the Eritrean trade policy towards the neighbours.

That Eritrea stands to gain from trading with its neighbours is appreciable. Since economic pragmatism has been so rare, the Government of Eritrea, reported to have declared to have close trade links with its neighbours. The President Issayas Afwerki visited Italy recently to develop the trade between the two countries. He expressed the hope that "the Italian entrepreneurs are readily interested to invest in Eritrean tourism, construction, manufacturing sectors etc., however, the transit trade with its neighbours would significantly expand Eritrea's strategic options. But the new debate in Eritrea on trade with its neighbours is a welcome one. It is a big intellectual leap for the Eritrea's establishment to debate the "role of the Government" in coping with the "global economic challenges" to the nation.

Italy has colonized Eritrea for over 50 years. The key legacy of Italian colony was the development of skilled manpower, construction of infrastructure developing mechanized agriculture etc. The manpower developed includes factory workers, electricians, technicians and mechanics etc. During the period there was apprenticeship given by

Italians in areas of middle professional development. Potentially it has developed a work force in Eritrea, which is geared toward Italian need. This has to continue now as the potential is still there (Rena, 2006: 35-40; Mesghinna, 1988, 65-69).

Why Italo-Eritrean trade is important?

The trade ties between Italy and Eritrea is important for both countries because: Over half of Eritrean exports to Europe are to Italy. At the same time Italian investment in Eritrea was also important for African economy in general Eritrean economy in particular. However, it can also be a bridge to develop trade link with Africa. If Italy invests in Eritrea it will have an access and control of the sea, henceforth, an access and control of the sea to the whole Europe. Therefore, Eritrea control the access to the Red Sea ports means maintaining the European trade link with Asia and oil producing Arab countries. One typical example of Italo-Eritrean trade could be Agro-Industry: Italy should invest on Agro-Industry which serves the Italian market in the fast delivery like banana, mango orange, water melon, fish etc. In addition, cotton (which was the traditional ownership of Italy), is only a matter of developing. Which may produce and process raw materials semi finished materials can be either exported or else. Most of the population also speaks Italian language. There are two important ports, which might be of importance to facilitate all the trade relations.

General Introduction:

Eritrea got its independence on 24 May 1991 from Ethiopia and is located in the Horn of Africa, bordered in the north and west by Sudan, in the south by Ethiopia and Djibouti, and in the east by the Red Sea. It has an estimated population of about 4 million and a total land area of some 12.2 million hectares. Its annual population growth is estimated at 2.9 percent. Eritrea has nine ethnic groups and six administrative *zobas* (provinces/regions). The country has six agricultural zones defined by climate, altitude, soils, and population density. They are: (1) The Central High Land Zone; (2) The Western Escarpment Zone; (3) The South Western Lowland Zone; (4) The Green Belt of the Eastern Escarpment of the Highland Zone; (5) The Coastal Plains Zone and, (6) The North-western Lowland zone.

Eritrea is a small country with a population size (4 million) of one region of Italy (Toscana). It is only 5.8 per cent of Italian population, where as, with a relatively large geographical land area with small population of 4 million (density is 28 per square k.m). The land is nearly 40 per cent of that of Italy. (Italy is only 2.4 times greater than Eritrea in geographical size where as the population is nearly 20 times than that of Eritrea). When it comes to economic well being the gap is greater. (The ratio in per capita income is 74 times greater than that of Eritrea). Italy at present is an influential member of the world states in general and European Economic Union in particular. Eritrea is a small country who can be just another player, but on another level. It has got primary resources, which might benefit Italy. It has the resources where Italy can make business. (e.g. salt and fish).

Given in to account that Eritrea as a strategic place in the Red Sea region, Italy as a colonial power in the Horn of Africa has colonial historical ties in the area (Somali, Libya, Eritrea). Eritrea as a former Italian colony has historical, colonial trade relationship with Italy. Therefore, on the basis of this historical relationship it may be justifiable to try to strengthen and develop a sustained trade links between the two countries. It is also important to note that we are in an exciting period of a new millennium. This millennium with new technology, new thinking, new skill new rules and new form of international economic order and a period of globalization where the world is trying to be close together. Due to lack of recent data an attempt is made to analyze the date up to 1998 and there are some gaps in the data presentation due to several factors. The methodology used preparing this paper is both qualitative and quantitative methods where the data is been collected from different reports, books news papers etc. The organization of the paper is as follows: the first part discusses the introduction, colonial legacy of Italy and profile of the country. Second part provides the trends of Italo-Eritrean trade. Third part deals with the factors that influence the trade between these two nations and the final part provides concluding remarks of the study.

II] ITALO-ERITREAN TRADE:

When one talks about trade, the first thing that comes to mind is the external market of this import/export, i.e. the destination. The main influencing factor of export is market. With out market an export is no export at all. Hence it would be more crucial to talk about the direction and destination of the market (Tekeste, 1987; Rena, 2006). However when it comes to Italo-Eritrean import/export activities then one can say it is at its preliminary stage (For further details see the general trends of Italo-Eritrean trade exchange).

President Isaias Afwerki visited Italy on 24th November 2003 and held talks with the president of Umbria Province of Italy, Signora Lorenzetti, and the governor of Perugia - Signor Loki, on bilateral and trade relation between the two countries.

Table -1 Import-export between Italy and Eritrea (1993-1997) (value in millions of lire)

	1993	1994	1995	1996	1997	1998
Export	23,509	46,140	76,749	129,508	101,664	-
Percentage	96.26%	66.34%	68.74%	-21.50	-100%	-
Import	843	271	2,749	5,673	5,059	-
Percentage	-67.81%	913.29%	106.35%	-10.83%	-100%	-
Balance	22,667	45,869	74,000	123,835	96.606	-

Source: ICE Istituto commercio estro,1998.

We can also observe from Eritrean trade point of view from 1995 up until 1998 trade was not progressing, as it should be. In fact in the case of 1996 it went dawn when compared with trade that 1995. Export, however it started to pick up in 1998. For further details see the table -1.

Table -2 Trade trends in Italy and Eritrea During the Period 1992-1998.

Eritrea (Value in millions of Naka).				Italy (Value in billions of lire)		
Year	Total exports	Total imports	The trade balance	Exports	Imports	The trade balance
1992	(6.1) 46.1	(48.9) 367.1	(42.8) -321.1 (87.4%)	(110) 219.436	(116.1) 232.111	2.8
1993	(27.2) 203.97	(149.2) 1119.13	(122.2) -915.48 (82%)	(133.1) 266.214	(116.5) 232.991	0.4
1994	(52.1) 397.19	(265.7) 1993.15	(212.6) -1595.96 (80%)	(154.2) 308.046	(136.7) 272.382	16.9
1995	(70.5) 528.83	(338.0) 2535.53	(267.4) -2006.70 (79%)	(191.3) 381.172	(167.8) 335.661	23.2
1996	(69.3) 520.43	(408.2) 3062.85	(338.0) -2542.42 (83%)	(195.2) 388885	(160.1) 321.286	-4.3
1997	(50.0) 374.99	(408.1) 3060.33	(358.2) -2687.34 (88%)	(204.1) 409.128	(178.7) 357.587	11.3
1998	-	-	-	(210.1) 420.303	(187.1) 374.213	4.6

Source: Eritrean Figures from the ministry of trade and industry, 1998 and Italian figures are collected from ISTAT , 1998.

Note: 1 US\$ is equivalent to 7.50 Eritrean nakfa. 1 USD is Equivalent to 2000 Italian Lire.
The figures in bracket are converted currencies in US\$.

The following table – 3 provides the structure of Italian regional export as from 1994 up until 1998. As indicated below some regions are well connected with Eritrean demands. For example in 1994, three regions from north Italy, Lombardia , Emilia Romagna and Piamonte has exported over 70 per cent of Eritrean demands (E. Romagna 32.9 per cent Lombardia 31. per cent, and Piamonte 11.6 per cent). The structure of Italian regional export (in the series of years from 1994 to 1998) in the northern part of the country has changed slightly. In fact Lombardia has drastically reduced its export from 31.1 to 21.3 per cent (ICE, 1998). This reduction of export implies less growth for export towards Eritrea from the region. Although, unexpected high increase (200 per cent) of export has been detected from the region in 1997, however a year later (i.e. in 1998) again sided down by 100 per cent. Details are explained in the following table-3.

Table - 3 Percentage share of Italo-Eritrean Regional Export Structure during the Period 1994 – 1998.

Region	1994	1995	1996	1997	1998
1. N. West	45.4	38.7	42.1	74.6	48.2
Piamonte	11.6	16.9	16.4	9.4	20.2
Lombardia	31.1	21.3	22.8	64.7	27.0
Liguria	2.6	0.6	2.9	0.5	1.0
2.North.East	45.0	36.3	32.9	13.5	31.2
Trento Alto	1.2	0.0	0.1	0.2	0.3

Veneto	7.0	6.3	6.9	5.3	10.6
Friuli Venez.	3.8	0.2	0.6	0.6	3.7
E. Romagan	32.9	29.7	25.3	7.5	16.6
3.Central	6.4	18.8	19.4	8.0	13.9
Toscana	2.0	8.3	13.1	5.6	8.6
Umbria	1.9	3.6	1.1	0.9	0.6
Marche	0.6	1.5	0.8	0.3	0.9
Lazio	2.1	5.3	4.5	1.2	3.8
Total N. centre	96.9	93.8	94.4	96.1	93.3
4. Middland	3.1	5.9	5.4	3.4	6.3
Abruzzo	0.2	1.7	0.1	0.3	0.3
Molize	-	-	0.1	0.1	0.2
Campania	1.6	3.0	2.6	1.9	3.3
Puglia	1.3	1.0	2.2	1.0	2.5
Basilicata	-	0.0	0.2	0.0	0.0
Calabria	-	0.2	0.2	0.1	0.0
5. Isles of Italy.	0.0	0.3	0.2	0.5	0.4
Cicilia	0.0	0.2	0.2	0.4	0.4
Sardegna	-	0.0	0.0	0.0	0.0
Non specifie	0.0	-	0.0	0.0	0.0
Total South Italy	3.1	6.2	5.6	3.9	6.7
Italy	100.0	100.0	100.0	100.0	100.0

Source ISTAT, Roma Italia , 1999.

Note: The direction of Italo-Eritrean exports can be seen in to two categories: 1.The direction of Eritrean trade towards (a). Ethiopian market and (b). the rest of the world. 2. Italian trade towards (a) European market and (b). and the rest of the World. (with all most insignificant trade share to Africa)

Table - 4 Exports to Eritrea as from Italian Regions.

S.No.	Region	Export to Eritrea	Percentage change from 1997
1.	Nord centre	94.858	-23.8
2.	Northwest Italy	49.016	-49.3
3.	Piamonte	20.557	-69.3
4.	Lombardia	27.478	-67.2
5.	Liguria	981	53.8
6.	Northeast Italy	31.737	80.9
7.	Trentino alto edige	305	52.4
8.	Veneto	10.789	57.2
9.	Fruli venezia guilia	3.798	390.3
10.	Emilia romagna	16.845	73.6
11.	Central Italy	14.106	36.8
	Toscana	8.713	21.1
12.	Umbria	642	-44.9
13.	Marche	895	136.0
14.	Lazio	3.855	145.0
15.	Mezogiorno	6.806	34.7
16.	Middland Italy	6.442	44.4
	Abruzzo	328	-9.0
17.	Molise	173	56.0
18.	Campagna	3.381	34.2
19.	Puglia	2.538	88.9

20.	Basilicata	17	-
21.	Calabria	6	-95.7
22.	Isles of Italy	364	-38.4
23.	Sicilia	360	-34.5
24.	Sardegna	4	-89.9
25.	Other unspecified.	-	-
26.	Italy	101.664	-21.5

Source: ICE, 1999

Italy is one of the main European partners of Eritrea. In fact Eritrean Exports to Italy is nearly 38 per cent of the European share. The above trade exchange between Italy and Eritrea concerns all the regions and provinces. It can be observed in the above table that the highest trade exchange was between 1994 and 1996. Italy has exported to Eritrea items valued 129,508 billion lire. This export is doubled by 101 per cent from the previous year (1995). As far as import is concerned Italy has imported 843,271 billion lire worth of items in 1993, which was the highest in eight years period.

Table-5 Trade by commodity section (values in millions of birr).

Item Code	1995	1995	1996	1996	1997	1997*
	Export	Import	Export	Import	Export	Import
0	141.25	426.73	92.42	542.86	46.48	327.85
1	19.75	10.65	26.19	23.51	7.39	10.11
2	156.12	65.91	123.00	116.49	61.27	34.30
3	0.11	48.22	0.25	39.51	0.05	28.22
4	2.16	28.82	2.61	55.01	1.09	35.92
5	12.03	144.20	13.35	209.74	3.89	90.91
6	100.32	478.10	88.29	733.82	37.22	334.08
7	20.19	1,165.95	27.71	1091.14	6.31	560.21
8	76.88	166.94	146.61	250.78	39.80	109.78
Total.	528.83	2535.53	520.43	3062.85	203.52	1531.45

Source: Ministry of Trade and Industry various Reports

Note: * Data for 1997 include only for the first half.

Note: 0- food and live animals, 1- beverage and tabaco.2- crude materials except fuel.3- Mineral fuel lubricant, related material. 4- animal and vegetable oil.5- chemicals and related materials.6- manufactured goods classified chiefly material 7- machinery and transport.8- miscellaneous manufactured articles.

Table - 6 Trade Exchange on Main Products between Italy and Eritrea in 1995 (value in millions of lire).

Item no	Export	%change	Import	Balance
1.	5.559	69.70	0	5.559
2	4.208	421.72	0	4.208
3	3.152	416.00	0	3.152
4.	2.631	238.33	0	2,631
5.	2.306	-42.15	0	2.306
6.	1.872	82.80	0	1.872
7.	1.718	113.40	0	1.718
8.	1.436	493.97	0 –100	1.436
9.	1.304	83.28	0	1.304
10.	1,149	218.28	0	1.149

11.	1,124	64,51	0	1.124
12.	1.073	408,28	0	1.073
13.	1.024	-1.143	0	1.024
14.	976	716,59	0	976
15.	957	99,15	0	957
16.	952	513,57	0	952
17.	938	618,85	15	923
18.	917	569,01	0	917
19.	873	250,40	0	873
20.	800	275,06	0	800

Source: ICE, 1998.

Note: 1-agricultural machineries.2-cars and motor cycles3-car spare parts.4- semi processed articles5- vegetable products. 6-various types of machinerie.7- utensils and other metallic articles.8-articles of plastic materials.9- corrugated steel 10- steel construction.11-machines for construction and mining and metal works.12- Fiber textile products.13- tube and steel.14 Conserved fruit juice and legumes. 15 electrical wires. 16- pram and wheelchairs for children and disabled 17-electronis and Telecom. materials.18-petrochemical Products.19-various electrical materials. 20- Machinery for wood work papers and washing machine.

In the year 1995, trade situation with Italy has improved drastically. For example in 1995, Eritrea exported to Italy goods valued 618,85 million lire in electronics. But after 1995, the picture of trade has changed. By 1998, trade gap narrowed drastically. These happened especially for items like: leather products, textiles and communication and electronics. Italo-Eritrean trade has been going on for ages. But the extent of trade exchange changes from time to time. The type of items of export is much more similar nearly all times. For further details see the following table-7.

The two countries have a reasonable trade development in the year 1998 when compared with 1995. In the year 1995, Eritrea barely exported. But 4 years later, Eritrean export performance has improved. If we see the processed and unprocessed leather products (3,670 million lire) and textile products and fish are some of the imported materials to Italy. However, we have also seen Italian exports flourishing to Eritrea especially machinery foodstuff, electrical equipment and communication materials has been some of the main export items to Eritrea (ICE, 1998).

Table - 7 Italy-Eritrean Trade- Main Products.

Products	Import	Value change	Export	Value change	Balance
1	3.679	-29.07	5	-89.22	-3.695
2.	509	165.53	532	-72.70	23
3	300	244.61	149	-99.73	-151
4	124	119.28	22	-92.60	104
5	87	-	-	-	-87
6	80	-	-	-	-80
7	73	416.31	1.172	-42.73	1.099
8.	45	-	612	493.73	568
9	30	-	1.403	-21,88	1.372
10	19	-	509	-27.72	490
11	18	-	3.185-	20.96	3.167
12	17	-	0	-100,00	-17

13	9	-	583	574	-
14	9	-	2.101	174.16	2.092
15	9	-	3.537	52.41	3.528
16	8	-	0	-	-8
17	5	-	943	612.75	937
18	5	32.08	10.616	81.29	10.611
19	3	-	6.233	48.13	6.229
20	3	-	11	-81.17	8

Source: ICE, 1999.

Note: Value in millions of lire for the year 1998 and comparison of the previous years.

1.leather and leather products 2- cloth products 3- aerospace materials 4- communication and electronics 5- fish products 6- processed leather products 7- Semi processed products 8- office machinery , 9- plastic materials 10- industrial machinery 11- Utensil machinery's 12-wood and wood products. 13- construction materials 14- radio-TV and other electronic equipment 15- finished metal utensils 16- watches 17-electrical materials lamps and electrical apparatus for electricity 18- machinery 19- electrical equipment 20- different articles of wood .

III] FACTORS THAT INFLUENCE ITALO-ERITREAN TRADE:

Eritrea is a war-devastated country, it has a long way to go to achieve to improve the standard of living of its people and establish sustained and strong economy. The economic policy is based on free trade and liberalized policy. It is strategically an important country of East African nations with high potential of natural resources. It became independent in 1991. Therefore, as a new country, it needs to trade with various nations. Italy is placed in a best position to fulfill this gap. When we are talking about trade relationships between the two different countries we are talking about two different economies: the developed economy (Italy) and the non-developed economy (Eritrea). There are certain factors to persuade the Italian export to Eritrea. These factors include: Colonial ties, Commercial relationship between the two countries, Import substitution effect (take over from Ethiopia), Moral responsibility of Italy towards Eritrea, Primary resources available for trade, The International ports (Assab and Massawa), Geo-economic strategy. For further detail let as see each one of the following factors for trade.

1. Colonial Trade Ties:

Italy has colonized Eritrea for over 50 years. During this period the Italian economic involvement was relatively big in the horn of Africa. The Italian Government embarked Eritrea for control of other colonial powers and to relief its own economic problems. For this reason Italy has invested in Eritrea a considerable amount of money for buildings, infrastructure and institutions. The structure of the Italian colonial economy in Eritrea had two main components one of, which had a lot to do with trade relations in the region. Primarily, use of the natural resources of the colony, secondly, to develop Eritrea so as to make it an entry pot for transit trade and as a staging post for the economic and political penetration in the horn of Africa.

In the year 1882, Italy seized Eritrea through the Red Sea ports of Assab in 1886 and Massawa in 1889. The plan of Italian government was to transferee Eritrea into a permanent settled colony. By 1941, when Italian colonial occupation ended 70,000 Italians

had indeed settled there in Eritrea. Most of them were farmers. History claims between 1893 and 1895 approximately 400,000 hectares was given to the Italians mainly to cash crops destined for European markets. The second phase of the Italian settlers was from 1897 to 1907 in this period further 70,000 hectares was added to the Italian settlers, which made it to be nearly 482,000. Another objective of the Italian settlers was to exploit mineral resources. By the years 1906 1.2 million lire has been spent in mining surveys ((Tekeste, 1987; Mesghena, 1988; Rena, 2006).

2. Commercial Ties during the Colonial Period:

Italians had a laissez fair type of trade doctrine to make Eritrea a center of attraction. And it was successful in doing so. In this respect between 1902 and 1906 the value of imports from Eritrea tripled. This way the extent of trade between Eritrea and Italy had considerably expanded. For further details can be seen in the following table – 8.

Table -8 Trade Relationship between Italy and Eritrea During the Period 1902 - 1907(Value in Italian Lire).

Year	Imports	Exports
1902	1,805,445	2,373,205
1903	1,609,527	2,607,581
1904	4,618,560	3,942,183
1905	4,813,459	4,490,461
1906	5,931,797	9,022,486
1907	3,943,243	5,009,905

Source: Mesghena, Yemane (1988) Op. cit., p.200.

Eritrea has become an Italian trade associate especially in terms of cotton cement and other commodities exported to Italy. For this Italy consolidated its position in Eritrea by building infrastructure and other essential investments in the country. Some of the positive consequence of Italian rule are; the construction of serviceable transportation network and other infrastructures. There is 119 km. Railway road connecting Asmara - Massawa with a considerable engineering complexity. In 1911 a road construction of Asmara - Agordet line with the cost (in 1928) cost of 48,000.000 Lire. Road construction in total Italians built was 3,600 km. Therefore, the changes, which the Italian rulers brought to Eritrea, had a drastic impact. For example, once all most rural population they developed an urban sector (Mesghena, 1988; Rena, 2006). During those years there were many factors owned and run by Italian nationals residing in Eritrea. Therefore, this historical economic cooperation has to continue for the mutual benefit.

Table -9 Some of the former Italian owned factories.

Italian factory	New Names	No. of Employees
Grazianin Fabrica	Cement Factory	124
Baratolo Fabrica	Textile Factory	1956
Guerra Fabrica	Tiles and Marble Factory	220
Naffi Fabbrica	Printing Press	125
Monopolio Fabrica	Tobacco Factory	63
Malaria Fabrica	Wear Factory	115
Fenili Vino Fabrica	Wine and Liquor Beverage	77

Source: Eritrean Chamber of Commerce, Asmara Eritrea, 1984.

The above table refers the new names given by the Eritrean government to those factories. They have also developed factories where the raw materials may be processed for the market in Europe. These factories include textile factory (Baratolo factory) Tobacco factory (Monopolio factory), Tiles and construction factory (Guera factory) Printing factory (Naffi facctory) are some of the examples, which were owned by the Italians in Eritrea. Henceforth, the continuity of these factories is crucial to the government of Eritrea, because the machinery and other spare parts to formulate the production process is imported from Italy and mainly operated by the Italians.

3. Import Substitution (taking over Ethiopian market):

Eritrean exports seemed to have somehow secured and privileged market in Ethiopia until 1997. It was a market being exploited due to more non-economic factors than economic factors. In a sense it is a market which is not so different from domestic market given its proximity, (for example, zero tariff privilege, and the same currency). From 1992 to 1997, the direction of Eritrean exports can be seen from two broad categories: they are Ethiopian market and other parts of the world. The Ethiopian market is the market, which involved through time due to a number of factors among which proximity, regional location; social and cultural ties are the major factors (Rena, 2006). In other words, firstly: it is the outcome of the past colonisation and the close social and cultural ties of the people reflected in similar tastes and preferences.

Table -10 Trade Balance Between Eritrea and Ethiopia from 1993 up to half of 1997.

Year	Import from Ethiopia	Export to Ethiopia	Balance
1993	63,938,197	123,579,747	+
1994	90,786,808	181,491,011	+
1995	146,820,200	354,298,842	+
1996	261,781,354	342,517,024	+
1997 1 st half	157,788,261	134,403,694	+

Source: Ministry of Trade and Industry, 1998

Secondly: the fact that the country is less distant transportation cost, which reduces the overall production cost and thus lower prices of products. Furthermore, Eritrea's trade balances with Ethiopia seen to be positive up to 1997 (see the table above). But after the introduction of Eritrean currency Nakfa on 8th November 1997 the trade between two countries has been deteriorated. At present there is no more trade relations between the two countries. Hence, Italian government has an opportunity to take over the imports and exports opportunities that were held by Ethiopia.

4. Italy-Eritrea's Biggest European Trading Partner:

Large share of imports to Eritrea comes from Italy i.e. 14.1 per cent of the 38 per cent of all products imported from Europe. And 42.1 per cent of all products exported to Europe (i.e. 6.7 per cent) are from Italy. The main export commodities of Eritrea are textiles, footwear, leather goods salt and fish. The main imports of Eritrea are food items machinery and equipment, a petroleum product, and industrial inputs.

Table - 11 Eritrean Exports to Italy (Value in nacfa, 1998).

Commodity	1995	1996	1997	1998
1	681,760.00	32,493.00	114,427.00	207,014.00
2	288,000,000	1,198,625,00	741,600,00	115,200,00
3	-	-	-	2,440,00
4	12,966,366,00	20,409,429,00	17,303,465,00	10,037,690,00
5	-	600,00	-	-
6	110,00	325,270,00	59,265,00	6,650,00
Total	13,936,236,00	21,966,417,00	18,218,757,00	10,368,994,00

Source Ministry of Trade and Industry, 1999.

Note: 1.food and live animals.2- crude materials, inedible except fuel.3- chemicals and related products.4- manufactured goods classified chiefly by material.5- machinery and transport equipment. 6- Miscellaneous manufactured articles.

As from Eritrean figures of trade, the exports to Italy sided from 1.4 billion in 1995 to 1.0 billion. Lack of demand for import machineries and transport equipment may be the main cause for the reduction of exports to Eritrea. These may be is due to the shortage of hard currency in the country.

Table - 12 Eritrean Imports from Italy During the Period 1995- 1998.

Code Number of the Item	1995	1996	1997	1998
0	982,009.00	9,587,647,00	14,855,480.00	50,779,721,00
1	520.88520	526,260,00	887,947,00	1,167,510,00
2	5,027,220.00	5,371,985,00	5,681,595,00	4,992,155,00
3	9,505.020.00	1,896,825,00	4,971,735,00	1,116,280,00
4	12,694,163,00	1,338,470,00	1,044,028,00	1,357,160,00
5	17,623,257,00	31,743,738,00	13,482.203,00	11,585,266,00
6	57,671,587,00	68,506,729,00	68,960,455,00	89,826,621,00
7	296,546,040,37	246,868,911,00	269,888,892,00	256,759,850,00
8	26,701,882,00	28,626393,00	35,279,087,00	44,639,794,00
Total	437,272,063.57	394,466,958,00	415,051,422,00	462,224,357,00

Source: Ministry of Trade and Industry (1999) Official Statistics., Asmara, Eritrea.

Note: 0 – food and live animals. 1- Beverage and tabaco.2- crude materials inedible except fuel.3- mineral fuels lubricants and related materials. 4- animal and vegetable oils fats and waxes. 5- chemicals and related products, N.E.S 6- manufactured goods classified by material. 7- machinery and transport equipment. 8- miscellaneous manufactured materials. 9- total.

Unlike Eritrean exports, trade imports from Italy have been progressing rapidly. For example in 1995, the extent of import was Nacfa 437 million. Although there was a slight diminish in 1996 by Nacfa 394 million in 1997 the figure returned at Nacfa 415 million. The highest import was recorded in 1998 and that was Nacfa 462 million.

However, we have not seen much trade exchange especially in exports to Italy from Eritrea. For example if we see the above table trade exchange between the two countries are limited. Almost 99 per cent was being sent by Italy as can be seen in the table -12. The direction of export by Eritrea was mostly confined to Ethiopia (Ethiopia export to Eritrea 65.8 in 1997). It can be said trade of Eritrea was only confined to limited areas. The table below shows that 80.08 per cent of the exports were limited to African continent. The

second biggest exporting partner is North America the third is Europe. In Europe the highest trading partner (6.72 per cent) exports and 38.0 per cent of imports in which 14.4 per cent is from Italy.

Table - 13 Direction of Trade with the rest of the World - Origin of Exports in 1996.

Area	Percentage value of imports	Percentage Value of exports
Africa	16.6	80.08
Europe	38 (14.4% to Italy).	6.72 (42.2% Italy)
North America	2.71	7.66
Asia and Middle East	41	5.52
Oceania	0.08	0.01
Others	1.09	-

Source Ministry of Trade and Industry (1995), Asmara, Eritrea.

On the other side of the coin, if we see the over all total export of Eritrea to Europe is limited. Italy occupies a tiny portion of the total. The reason is; Eritrean export was only confined to Ethiopia (Africa), which holds 80.08 per cent of the total export of Eritrea.

5. Moral Responsibility

The colonial army was also a common destination for Italy. Thousands of Eritreans were sent to Libya and Somalia to fight along side Italy. In 1938, around 70,000 Eritreans conscripted for Italy against colonial war with Ethiopia. In those years from 1935 to 1936 alone Eritreans simultaneously launched a war to help Italy against Ethiopian forces. In this war hundreds of thousands Eritreans has been killed. The war lasted for 5 years from 1935 to 1941. Therefore, the Italian colony needs to feel moral responsibility on Eritrea and should act accordingly for the benefit of the two nations.

6. Availability of Primary Resources:

The potential exports and imports of Eritrea are varies: The agricultural sector in Eritrea can produce large quantity of products by using modern cultivation and fertilization plant production and harvesting techniques. During the Italian colony, there were many successful large commercial plantations, particularly in the lowlands and eastern side of the country, which produce a wide variety of cash crops like cotton, fruits and vegetables and banana. The main area for potential exports includes cash crops, cotton, salt, sesame, fish tobacco, and fruits and vegetables, flowers, livestock and livestock products. The horticulture project in Gahtelay and Adi Nefas used to run by individual Italian nationals residing in Eritrea is an indication for possible ways of diversifying agricultural export. As far as livestock is concerned, there is variety of them. The highest producing regions are Sahel, Gash Setit and Barka. Nearly 50 per cent of the total goats found in Barka and Sahel. There are around 7 to 8 million herds of sheep, goats and cattle however; there is a need for a modern production method, for higher and competitive standard. If this is done there is no doubt that the total export quantity will increase. Besides, in 1997 a large quantity of sodium chloride, salt foot wears was exported to Italy.

7. The ports of Massawa and Assab:

As early as 1869 an Italian missionary named Guiseppe Sappeto purchased a small land in the port of Assab. The reason was to house a Rubbiano company. But later by 1882 Italians occupied the whole of Assab and by 1885; the Italians occupied the port of Massawa. By January 1890 Eritrea was declared the colony of Italy (Rena, 2006:40-45).

At present, the ports of Massawa and Assab are the two international ports, which may be found in the Horn of Africa. They are spread along the line of Red Sea coast of nearly 1200 kilometers. The two ports contribute higher income to the national economy. Nearly 96 per cent of the whole country goods come through these two ports. The port of Massawa serves nearly 90 per cent of incoming goods. Where as the port of Assab used to serve 60 to 70 percent of Ethiopian goods (before Ethio-Eritrean conflict). These two ports generate 26 per cent of the national income from port revenue. In addition Eritrea has great potential to develop fishery sector. In the past Eritrea, has been selling a high quality and good quantity fish, potential out side the country. Many experts said that the country owns a high quality fish potential. It is found that there are various types and quantities of fisheries in Eritrea.

8. Geo-economic Strategic Area:

It is said long ago the meeting factor of these two countries (Italy and Eritrea) was the strategic position of Eritrea to be able to reach the other parts of the world. Due to its geographical position the nation has served for around 100 years as a trade corridor between the Ethiopian highlands and the commercial center of the Red Sea, the Mediterranean and the Indian Ocean; this contributed to the development and strength of trade relationship in the region. Thus, regional commerce in animal, forest product timber, hides butter, bees, wax, ivory, gold and other precious mineral formed the basis of the regional trade and external trade until the colonial era. It is located on an important Sea route between Europe and Asia. Even before the Suez Canal opened in the mid 19th century, increasing its strategic significance Eritrea attracted the European power. Italy, France and Britain become interested in territories and borders of the Red Sea.

IV] CONCLUSION:

Eritrea has become an Italian trade associate especially in terms of cotton cement and other commodities. Unlike Eritrean exports, trade imports from Italy have been progressing rapidly. Lack of demand for import machineries and transport equipment may be the main cause for the reduction of exports to Eritrea. The agricultural sector in Eritrea can produce large quantity of products by using modern cultivation and fertilization plant production and harvesting techniques.

The port of Massawa serves nearly 90 per cent of incoming goods. Where as the port of Assab used to serve 60 to 70 percent of Ethiopian goods. These two ports generate 26 per cent of the national income from port revenue. Due to its geographical position the nation has served for around 100 years as a trade corridor between the Ethiopian highlands and the commercial center of the Red Sea, the Mediterranean and the Indian Ocean; this

contributed to the development and strength of trade relationship in the region.

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